

SECRET

Chinese Communist Leadership

We may be seeing the beginning of the end of the long era of Mao Tse-tung.

Mao's absences from the public scene are growing longer and longer, suggesting recurring illnesses, perhaps of growing seriousness.

All indications are that a power struggle among Mao's key lieutenants has been under way all spring and is still going on.

Teng Hsiao-ping (Dung Shyaw Ping), the powerful general secretary of the party seems to be making a bid to replace Liu Shao-chi as Mao's deputy in the party and his heir apparent.

Teng (Dung) may be succeeding; he was probably behind the ouster of Peng Chen (Pung Jun), a rival in Mao's inner circle of advisers, whose removal was announced on 3 June.

There are important parallels between Teng's (Dung's) position today as general secretary and that of Stalin and Khrushchev when they made their bids for supreme power.

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Communist China

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CUBA

Cuba

Diplomats in Havana sense that Castro may be in trouble - seriously ill or out of favor with other leaders. The evidence for this is circumstantial -

- no speech since 1 May
- out of sight since 4 June
- when last seen, described as "tired, depressed, and dejected."
- Dorticos seems to be performing some of his functions

Other leaders and communist representatives in Havana were reported alarmed by his over-reaction to the shooting of a Cuban militiaman at Guantanamo in late May. This would provide a motive for dumping him.

We are not yet ready to write Castro off, however.

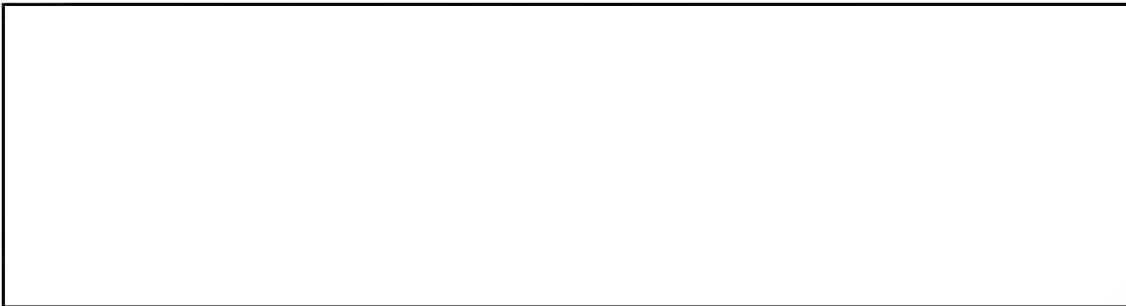
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Egypt

Nasir's pace has slowed, he is in deeper trouble economically than he has been for ten years, and we have heard some rumblings of disenchantment from inside Egypt.

He is a dangerous counter-puncher, however, and clearly still enjoys strong Soviet support.



Egypt

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Congo

President Mobutu is driving for more effective control inside the Congo and is preoccupied with asserting the country's independence of foreign influences (especially Belgian).

He is likely to become more dependent on his officer corps and increasingly disposed to take summary, and occasionally brutal, action on internal political problems.

The rebellion in the backlands has been reduced to the minimum probably possible.

Relations with Belgium are euphoric at the moment, but a tactless move on either side could reverse this over night.

Congo

CONFIDENTIAL

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Britain

Britain - The Seamen's Strike

Prospects are dim for a quick settlement of the six week old dispute.

The shipowners have offered a shortened work week amounting to a 13 percent pay increase, but the militant left wing union is demanding an immediate 17 percent boost.

A pay increase above the government's recommended 3.5 percent guidelines would seriously undermine the Wilson incomes policy and provoke a round of wage demands by other unions.

A prolongation of the strike will have serious long range effects on Britain's balance of payments and likely erode still further international confidence in sterling.

The strike threatens to cause a sharp increase in the payment deficit which was halved in 1965 from the 1 billion high in 1964.

The British government estimates that the strike is causing export losses of nearly \$56 million per month.

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DOMINICAN REPUBLIC

Balaguer won 57% of the votes on 1 June and will assume the Presidency on 1 July.

His Reformist Party will control Congress and is expected to push through major legislative reforms, including a new constitution, and to shake sympathizers with the "revolution" out of the judiciary.

Also-ran Bosch--39% of the votes--after gracelessly conceding defeat, talks of leading his Dominican Revolutionary Party in parliamentary opposition. This is not likely to be constructive.

Militant leftists are still talking of "resistance" to the new government--so incidents remain a possibility.

Balaguer so far has not spelled out his government's program but has made plain his reluctance to see the Inter-American Peace Force leave until he is solidly in power.

Dominican Republic

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De Gaulle's Visit to Moscow

De Gaulle's aim in Moscow is to show French distinctness from the US and to emphasize his belief that the USSR and France have the primary role in any settlement of European problems.

He sees the visit as a way of nudging along his preferred view of Europe rather than an occasion for the signature of a bilateral political pact.

The Soviets have rolled out the red carpet for the visit and have skillfully sought to bolster De Gaulle's ego while limiting themselves to generalities on controversial points.

De Gaulle leaves Moscow on 23 June for brief visits to Novosibirsk, Leningrad, Kiev and Volgograd, returning to Paris on 1 July.

Among the specific agreements to be signed during the visit is one on space cooperation that will call for the exchange of personnel and the Soviet launch of a French satellite at some unspecific time.

We understand there will also be an economic/cultural exchange agreement.

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De Gaulle

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Thai Insurgency

The Communist insurgents, now in their third year of renewed activity, still number only in the hundreds, but they have made significant progress in recruiting sympathizers, training cadre, and extending control over small areas in the northeast.

The insurgents have also stepped-up their terrorism, and have been vigorously defending their strong-holds from government suppression operations.

The government in Bangkok is taking effective steps to improve the counterinsurgency capabilities of its police and army security forces.

Given the relatively stable economic and political situation within Thailand, the insurgents seem unlikely to make major gains over the next year.

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India-Pakistan

The India-Pakistan quarrel seems no nearer to solution.

The Indians--under US and probably some Soviet pressure--are preparing for another round of high-level talks, but India still gives no sign of conceding anything significant on Kashmir.

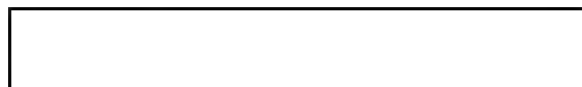
Both sides are rearming--the Pakistanis mainly from the Chinese Communists, the Indians from the USSR.

The Chinese "bomb" has sharpened pressure for India to go nuclear, but Mrs. Gandhi is holding out against it so far.

No U.S. military aid

India-Pakistan

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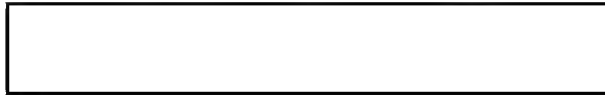
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Other contenders for the leadership--Liu Shao-chi, premier Chou En-lai (Joe En-lye) and defense minister Lin Piao (Lin Byaw)--could unite and turn against Teng (Dung).

We do not expect to see abrupt shifts in domestic or foreign policy while the struggle goes on, but after a new leadership consolidates itself there might be some modifications in approach.

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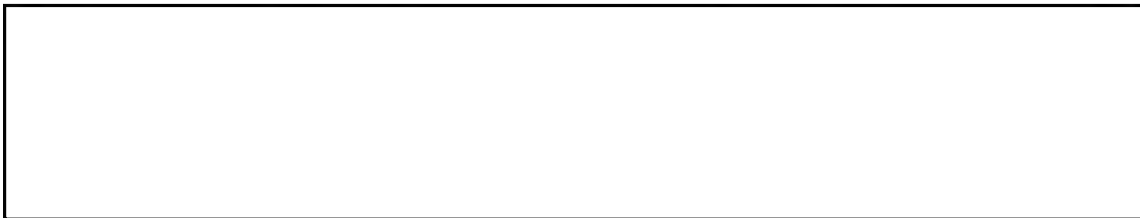


Cyprus

Turkey's frustrations over Cyprus have grown as Archbishop Makarios methodically undercuts the position of the island's Turkish community.

Crisis this week was typical: Makarios in effect blockaded the local Turks, and in response Ankara threatened "action," but nothing has materialized.

25X1 Nevertheless, Turkey has been running military, naval and air maneuvers all spring to back up its threats.



Cyprus

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Indonesia

Faced with a recalcitrant Sukarno -- a diminished but still formidable figure -- the new regime is moving slowly on major issues.

The current session of the Indonesian Congress has just reaffirmed General Suharto's special executive powers, reluctantly granted by Sukarno last March.

Suharto now must try to keep in line the country's ambitious and opportunistic political factions -- with Sukarno's decline, they are jockeying for position and power.

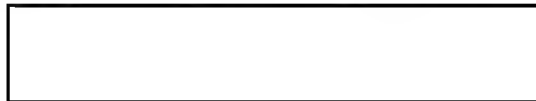
The government's most urgent problem is how to get the bankrupt economy back on a sound basis; it is working on a program of economic stabilization and is trying to reschedule payments on its massive international debt.

In foreign policy, Indonesia is working toward rejoining the United Nations and ending the confrontation with Malaysia.

Indonesia

SECRET

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Rhodesia

The British are slowly negotiating their way toward a settlement on the basis of continued white minority rule.

The Smith regime may make some concessions on non-essentials.

The Rhodesian Africans are impotent to upset an agreement, but London will be in trouble with a number of other African governments over a sell-out.

Zambia, the country most immediately affected, is looking for ways to re-direct its trade away from Rhodesia, and we expect major frustrations in Central Africa as a result.

Rhodesia

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Warsaw Pact Developments

The Soviets are being pulled in two directions in the Warsaw Pact: it remains important to them militarily and as a political instrument in Eastern Europe.

Some of the Eastern European states, Rumania in particular, are interested in reducing Soviet predominance in the Pact.

Against this background, there have been a number of important gatherings of Pact members in recent weeks.

these meetings have been concerned with two general topics:

- reform in the structure of the Pact;
- Soviet bloc policy on questions of European security.

We think that Moscow had to settle for something less than it wanted on both points.

Announcement that a summit conference will take place suggests that some consensus has been reached.

The much rumored reduction of Soviet forces in East Germany may occur, but we believe that it would be primarily a political gesture of little military significance.

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Warsaw Pact

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